

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
ICA-11 AID-05 EB-08 OMB-01 TRSE-00 /092 W  
-----111907 210254Z /64

R 200759Z JUL 78  
FM AMEMBASSY KUALA LUMPUR  
TO SECSTATE WASHDC 6518  
INFO AMEMBASSY BANGKOK  
AMEMBASSY JAKARTA  
AMEMBASSY MANILA  
AMEMBASSY PARIS  
AMEMBASSY RANGOON  
AMEMBASSY SEOUL  
AMEMBASSY SINGAPORE  
AMEMBASSY TAIPEI  
AMEMBASSY TOKYO

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E.O.11652: N/A  
TAGS: EGEN, EFIN, EAID, ETRD, ASEAN, JA  
SUBJECT: JAPANESE AID UNTYING AND YEN CREDITS

REF: (A) STATE 131106 (B) TOKYO 9388 (C) TOKYO 9671

1. SUMMARY. WE HAVE DISCUSSED THIS ISSUE WITH THE JAPANESE  
COMMERCIAL OFFICER, A JAPANESE AID SURVEY TEAM AND SEVERAL  
MEMBERS OF THE MALAYSIAN GOVERNMENT. THE CONSENSUS IS THAT, EVENTUALLY,

ALL JAPANESE AID LOANS WILL BE UNTIED, BUT IT WILL TAKE  
TIME BECAUSE OF STRONG DIFFERENCES BETWEEN MITI ON THE ONE HAND AND  
THE TREASURY AND MFA ON THE OTHER. THE MALAYSIAN GOVERNMENT  
PREFERS TO SEE THE LOANS UNTIED AND HAS BEEN PUSHING FOR  
IT BUT BELIEVES US EFFORTS IN THIS RESPECT ARE THE MOST USEFUL  
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TOOL FOR CHANGING JAPANESE POLICIES. END SUMMARY..

2. KATSUHIRO YOKOTA, COMMERCIAL OFFICER AT THE JAPANESE EMBASSY  
HERE, TOLD ECON COUNSELOR THAT THE SUBJECT OF UNTYING YEN  
LOANS TO MALAYSIA WAS CURRENTLY BEING NEGOTIATED WITHIN  
THE JAPANESE GOVERNMENT AMONG MITI, WHO IS RESISTING IT,  
THE TREASURY, WHO IS PUSHING IT, AND THE MFA, WHICH IS

MEDIATING. HE SAID HE EXPECTED THAT SOME OF THE PROJECTS UNDER THIS YEAR'S FIFTH YEN LOAN WILL BE UNTIED, BUT THE NUMBER IS STILL BEING DEBATED IN TOKYO. HE BELIEVES THE SIXTH YEN LOAN WILL BE COMPLETELY UNTIED.

3. IN A SEPARATE MEETING WITH EMBOFFS, A TEAM OF JAPANESE AID EXPERTS, WHO ARE MAKING A SURVEY OF OTHER COUNTRIES' BILATERAL AID PROGRAMS IN MALAYSIA, BASICALLY CONFIRMED THE SCENARIO AS DESCRIBED BY YOKOTA. THEY INDICATED, HOWEVER, THAT MFA HAS NOW COME DOWN FULLY IN SUPPORT OF UNTYING AND, TOGETHER WITH TREASURY, IS HAVING SOME SUCCESS AT WEARING DOWN THE EXPORT-MINDED OFFICIALS IN MITI.

4. MALAYSIAN GOVERNMENT OFFICIALS INVOLVED IN DIRECT NEGOTIATIONS WITH THE GOJ ON AID ISSUES HAVE TOLD US THAT THEY ARE CONTINUING TO PUT PRESSURE ON THEIR JAPANESE COUNTERPARTS TO UNTIE AID. THE MALAYSIANS HAVE A REALISTIC UNDERSTANDING OF THE SLOW WORKINGS OF THE JAPANESE GOVERNMENT, ESPECIALLY WHERE DOMESTIC INTERESTS ARE INVOLVED AND DO NOT EXPECT MUCH REAL PROGRESS UNTIL NEXT YEAR WHEN NEGOTIATIONS FOR A SIXTH YEN CREDIT ARE EXPECTED TO BE COMPLETED. THE GOM STRONGLY BELIEVES THAT IT WILL BE CONTINUED US PRESSURE THAT IS LIKELY TO BE THE MOST IMPORTANT FACTOR INFLUENCING GOJ ATTITUDES WITH RESPECT TO UNTYING AID.

5. WITH RESPECT TO THE SETTING UP OF A SPECIAL PROMOTIONAL PROGRAM INVOLVING THE EMBASSY, THE JAPANESE EMBASSY, THE GOM LIMITED OFFICIAL USE

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AND THE AMERICAN BUSINESS COMMUNITY, WE BELIEVE THAT WE CAN SATISFY OUR GOALS WITHIN THE FRAMEWORK OF OUR EXISTING MAJOR PROJECTS REPORTING PROGRAM. THERE ARE VERY FEW AMERICAN FIRMS IN MALAYSIA THAT ARE ACTIVELY ENGAGED IN MAJOR PROJECTS AND WE HAVE SET UP AN EARLY WARNING NETWORK TO BRING THEM INTO THE PICTURE AS SOON AS POSSIBLE WHENEVER WE LEARN OF A NEW PROJECT. WITH THE HELP OF SINGAPORE, BANGKOK, JAKARTA AND HONG KONG, THIS INFORMATION IS ALSO RAPIDLY DISSEMINATED TO THE REGIONAL OFFICES OF AMERICAN COMPANIES. WE WOULD PROPOSE SIMPLY EXPANDING OUR PRESENT PROGRAM TO COVER JAPANESE UNTIED AID PROJECTS. WE FEEL CONFIDENT THAT WE CAN OBTAIN THIS INFORMATION FROM THE GOM AND FROM THE JAPANESE EMBASSY HERE. AS SOON AS WE LEARN OF ANY UNTIED PROJECTS, THEY WILL BE REPORTED.

MILLER

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, CREDIT, CURRENCY CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Original Handling Restrictions:** n/a  
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**TAGS:** EGEN, EFIN, EAID, ETRD, JA, ASEAN  
**To:** STATE  
**Type:** TE  
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